



REQUEST FOR PROPOSALS

TENANT FILE AUDITS AND PHYSICAL INSPECTIONS

FOR THE MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY'S COMPLIANCE MONITORING RENTAL PORTFOLIO

September 1, 2006

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
Office of Legal Affairs, Compliance Monitoring
735 EAST MICHIGAN AVENUE
PO BOX 30044
LANSING, MI 48909**

**Michigan State Housing Development Authority
Compliance Monitoring Rental Portfolio
Request for Proposals - Tenant File Audits and Physical Inspections**

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1. PROPOSAL INFORMATION

1.1 Introduction Statement:

The Compliance Monitoring Section of the Michigan State Housing Development Authority (the "Authority" or "MSHDA") is issuing this Request for Proposals ("RFP") to retain qualified contractors to perform tenant file audits ("file audits" or "audits") and/or physical inspections ("inspections") for a substantial portion of the Authority's rental portfolio. Contractor(s) selected under this RFP will perform file audits and/or physical inspections in accordance with state and federal regulations and requirements.

The contractor(s) selected will be required to enter into and sign a written contract (the "contract") with the Michigan State Housing Development Authority. The contract will contain terms and conditions required by MSHDA that will be in effect for the duration of the contract. The contract will commence on January 1, 2007 and end on December 31, 2009. In its discretion, the Authority may extend the contract for (2) two additional one-year periods (2010 and 2011). The contractor(s) shall function as an independent contractor(s) for purposes of the contract and neither the contractor nor its employees shall be considered an employee of MSHDA.

Proposals may be submitted for performing file audits and/or physical inspections for any specific region(s) of the state. Included in the Attachments Section of this RFP is a map identifying the regions as well as the total number of developments and units located in each county. In addition, there are process maps for file audits and physical inspections and summary reports that provide additional development information. These summary reports include the number of developments and units by program type and by county for file audits and for physical inspections.

1.2 Key Dates and Information Summary:

RFP Issue Date:	September 1, 2006
RFP Issuing Office:	Michigan State Housing Development Authority Office of Legal Affairs, Compliance Monitoring
Questions Due Date & Time:	September 15, 2006; 5:00 p.m.
Response to Questions:	September 22, 2006; 5:00 p.m.
Proposals are to be sent to:	Michigan State Housing Development Authority Attn: Corina Pena-Andorfer Acting General Counsel/Director of Legal Affairs Office of Legal Affairs 735 E. Michigan Avenue, P.O. Box 30044 Lansing, MI 48909
Proposal Due Date and Time:	October 2, 2006; 5:00 p.m.

1.3 RFP Questions and Inquiries:

Any questions concerning the RFP may be submitted, in writing, via mail, fax or email using the subject line "RFP for Compliance Monitoring" to the attention of the individuals listed below. Questions and inquiries relating to this RFP must be received by MSHDA no later than 5:00 pm on September 15, 2006. Questions will be answered in writing. Questions and answers will be sent to the prospective contractor who submitted the question(s). On September 22, 2006 by 6:00 p.m., all questions and answers will be posted on the Authority's Compliance Monitoring website at www.michigan.gov/mshda (click on Request for Proposals – Compliance Monitoring).

Corina Pena-Andorfer
Acting General Counsel/Director of Legal Affairs
Office of Legal Affairs
E-mail: andorferc@michigan.gov

And

Sherri Davio, Manager
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E-Mail: davios@michigan.gov

Michigan State Housing Development Authority
735 E. Michigan Avenue, P.O. Box 30044
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Fax: (517) 241-8471

Important Notice Regarding RFP Questions:

If prospective contractors are submitting questions, the "Previously Asked Questions and Answers" included in the Attachments Section of this RFP must be reviewed prior to submitting questions. **Prospective contractors should only submit questions that have not already been addressed by the Authority.**

2. OVERVIEW OF CONTRACTOR RESPONSIBILITIES

Contractors selected must perform services in accordance with the MSHDA contract, federal law, HUD and/or IRS regulations and requirements both current and as amended in the future.

Under this RFP, prospective contractors will competitively bid to perform services for developments financed or assisted by a variety of programs administered by the Authority, including but not limited to the following:

1. Project-Based Section 8 program* ("Section 8") (**physical inspections only**);
2. Section 236 program ("Section 236");
3. Low Income Housing Tax-Credit program ("LIHTC"); or (tax credit)
4. 80/20 Tax-Exempt program ("80/20");
5. 70/30 Tax-Exempt program ("70/30");
6. Taxable Bond program;

7. Neighborhood Preservation Program ("NPP");
8. TEAM Lending Program (the "TEAM");
9. HOME TEAM Advantage Program ("HOME TEAM Program");
10. HOME programs, including the following programs (collectively, the "HOME Program(s)") or ("HOME"):
 - i. HOME—Specials Needs;
 - ii. HOME—Multi-Family;
 - iii. HOME—Equity Enhancement;
 - iv. HOME—Rural Initiative;
 - v. HOME—NPP;
 - vi. HOME-Community Development Rental
11. Pass-Through program (the "Pass-Through Program").

****Important Note Regarding Section 8 Developments:*** Beginning in 2007, MSHDA Asset Management staff will conduct tenant file audits for all Section 8 developments as a part of the Management and Occupancy Review process. Therefore, **Section 8 developments, (including Section 8 MR developments), are not included in the RFP for Tenant File audits. Physical inspections for Section 8 developments are included in this RFP.** Compliance Monitoring contractors will conduct file audits on Section 8 developments only if those developments are financed or assisted by additional funding sources/programs (ie: LIHTC, HOME, etc.)

TENANT FILE AUDITS

3. ELIGIBILITY AND QUALIFICATIONS FOR PERFORMING FILE AUDITS

3.1 Eligibility For Performing File Audits:

All qualified applicants will be considered. Individuals as well as corporate entities may submit proposals; however, individuals will be required to form a corporate entity prior to the execution of a contract with the Authority and have an office located in the State of Michigan.

3.2 Qualifications and Experience for Performing File Audits:

Prospective contractors must provide certification of HUD 4350.3 training and possess a minimum of 2 years experience reviewing tenant files for compliance with federal and/or state regulations. In addition, for proposals including file audits of LIHTC properties, prospective contractors must also provide certification of Tax Credit training.

Proposals will be evaluated on the basis of the contractor's ability to demonstrate a high degree of experience, training and proficiency in the various functions to be performed. The Authority will specifically consider the contractor's understanding, knowledge and experience in the following areas:

- Demonstrated knowledge and experience in LIHTC, Section 8, Section 236, HOME and/or other low-income housing programs;
- Demonstrated experience in tenant eligibility determination; and

- Ability to identify and report program non-compliance issues in a timely, concise and accurate manner to the Authority and management agents/owners.

4. SCOPE OF WORK FOR PERFORMING FILE AUDITS

4.1 General:

Tenant file audits ("file audits" or "audits") are required to determine if owners of housing developments funded under certain government programs are complying with federal and state regulations. These regulations include certifying the incomes of tenants, ensuring that rents charged are within program guidelines and ensuring that residents meet program and project eligibility.

At developments designated by the Authority, the contractor shall perform file audits, in accordance with Authority requirements.

4.2 File Audit Frequency:

File audits must be performed according to the following frequencies:

- Section 236 and Authority-financed developments - every 18 months, or at the request of the Authority
- Low Income Housing Tax Credit developments (LIHTC) or (tax credit) - every 3 years, or at the request of the Authority
- HOME developments - frequency depends upon the number of units in the development (every 1, 2, or 3 years)
- Developments with multiple sources of funding default to the most restrictive program requirement.

4.3 Primary Responsibilities:

The contractor's primary responsibilities during the file audit will be to determine if the unit is in compliance with applicable program/project rules and regulations by reviewing the following information:

- The income at move-in, or initial eligibility of each household and the documentation used to determine that income. (Note: Move-in, or initial eligibility information may not be available for Section 236 developments. If the information is not available, the contractor shall note it, but this shall not be considered a compliance violation. However, if the development has Section 8/LIHTC or Section 236/LIHTC, missing move-in, or initial eligibility documentation must be reported as noncompliance.)
- The current income of each household, and the documentation used to determine that income.
- Deductions and allowances (i.e. medical, elderly and dependent) for each household and the documentation used to determine those deductions and allowances, if required.
- Supplemental documentation (i.e. social security cards, birth certificates, etc.)
- The project and program eligibility* of each household for student status, **elderly status***, etc.

- Recertifications for each household, if required.
- The rent amount charged to each household.
- The lease agreement.
- The consistency of the information provided in the tenant file, on reports submitted to MSHDA by the owner, the owner's rent roll, and the lease agreement.
- For all developments, obtain the current number of vacant units and vacancy percentage. If the percentage of vacancy is 10% or higher, obtain an explanation and improvement plan for addressing the vacancy issue.
- For Section 236 developments, obtain an electronic copy of the incorrect and corrected versions of 50059 forms and provide these documents to the Authority.
- Other items and information as specified by the Authority.

***Important note regarding resident eligibility for HUD elderly developments:** Certain developments have HUD's approval allowing near elderly individuals to reside at elderly developments. For these developments, a copy of the HUD approval waiver must be obtained at the time of the audit and an observation noted in the audit report. Absence of this documentation must be reported as noncompliance in the event that residents of elderly developments do not meet HUD's age requirements (age 62 or older).

4.4 Developments To Be Audited:

1. The Authority will give contractors a list of developments and due dates for performing file audits.
2. The contractor shall audit **restricted units only** and should **not** audit any **"market-rate units"**. (Note: Section 236 residents that pay **market rent** are not considered "market-rate units". **Section 236 market renters are restricted units** and therefore they must be included in the sample of files to be selected for audits.)
3. The contractor shall audit the following percentages of files for the Programs described below:
 - **Low Income Housing Tax Credit Developments:** 20% of the restricted units in each building in the development.
(Note: At least one unit in every building must be inspected)
 - **Authority Financed Developments:** 20% of the restricted units in the development
 - **Section 236 Developments:** 20% of the restricted units in the development.
 - **HOME Developments:** 20% of the restricted units in the development
 - **Developments with Multiple Funding Sources:** The greater of (a) 20% of the restricted units in each building or (b) 20% of the restricted units in the development.
4. When calculating the number of files to review, partial numbers of files should be rounded up to the next whole number. For example, if 20% of the files equal 10.1 files, 11 files should be reviewed.

5. The Authority reserves the right to require the contractor to review a higher percentage of files, if the Authority deems this necessary and appropriate based on the results of a previous tenant file audit or for any other reason(s).
6. The file sample must include a broad representation of the resident profile at the development and should include as many varied occupancy related issues and situations as possible. A file sample consisting of only new move-ins is **not** acceptable (except for new developments during initial lease-up).
7. The Authority may designate specific units to audit.
8. For Low Income Housing Tax Credit units, the file audit shall include the same units the physical inspection contractor inspected. The Authority will provide the contractor with a list of units for which the tenant files are to be audited. For all other properties, the contractor will randomly select the tenant files to be audited.
9. Forms and processes required by the Authority to provide services are subject to change following written notice by the Authority but shall not result in a material increase in the time necessary to complete the file audit

FILE AUDIT PROCESS

4.5 Scheduling Tenant File Audits:

1. The contractor will contact the management agent/owner by phone to schedule the file audit date and time.
2. The contractor will confirm the scheduled file audit by sending written notice (scheduling letter) of the scheduled audit date and time to the development's management agent/owner as specified by the Authority at least twenty (20) business days (30 calendar days) prior to the scheduled audit date.
 - a. The scheduling letter must include the date, anticipated arrival time and the location of the file audit. It is recommended that the name of the management agent representative who scheduled the audit also be included in the letter.
 - b. The contractor will address the scheduling letter to the management agent of the development. Copies will be sent to the owner and an electronic copy will be emailed to the Authority's Office of Compliance Monitoring.

4.6 Performing Tenant File Audits:

1. The contractor shall perform audits within a timeframe specified by the Authority.
2. The contractor shall review any particular file(s) requested by MSHDA Compliance Monitoring, Asset Management or the Physical Portfolio Manager.
3. The contractor must obtain the development's rent roll.

4. The contractor must review files and determine if units are in compliance with program/project rules and regulations.
5. The contractor must report the results of each file audit in a file audit report ("audit report") and must record tenant data, track management agent responses and generate correspondence as required by the Authority.
6. The contractor must record, submit and store all data and documentation obtained and reports generated during the file audit process in an electronic format specified by the Authority in Section 7 of this RFP.
7. During and at the conclusion of the file audit, the contractor must verbally review and explain, in person, the file audit findings and results with the development's management agent representative or personnel, if such personnel are on-site and available at the file audit.
8. The contractor shall be available to discuss methods and results of the file audits with MSHDA Compliance Monitoring, Asset Management and the Physical Portfolio Manager.

4.7 Notification of Compliance/Non-Compliance:

1. The contractor will prepare and submit an audit letter and file audit report documenting the results of the file audit to the Authority and management agent/owner within 20 business days (30 calendar days) after the date the file audit was performed. The audit letter and report must be in a predetermined format acceptable to the Authority. The contractor shall state in the audit letter that, based on the files reviewed, the contractor believes that the development complies (or does not comply) with program/project requirements. For all units cited as having potential compliance issues, the report must indicate the required and/or suggested corrective actions, the date each unit identified was "out of compliance", and the appropriate correction deadline.
2. If no response is received by the correction deadline, the contractor will send a letter (non-response letter) per Authority guidelines notifying the management agent/owner that a response is required, but no response was received.
3. After the correction deadline has expired, the contractor will report corrected and non-corrected compliance issues to the Authority and the management agent/owner. The report must indicate the date each unit was brought "back in compliance". MSHDA will then continue to work with the management agent/owner to correct the outstanding noncompliance issues. The contractor will report correction or non-correction of noncompliance to the Authority within 14 days of the end of the correction period.

4.8 Requirements for the Audit Letter and Report

- Audit letter – contractor must use Authority-approved language.
- Audit report – contractor must use Authority-approved format.
- File Audit Summary Report – contractor must use Authority-approved form.

- Reviewed Units—contractor must list all units reviewed, including those with no compliance issues. For each unit, indicate the unit number, resident name, and move-in, or initial eligibility date.
- Corrective Action—for all units cited as having potential compliance issues, the contractor must list required and/or suggested/possible corrective actions that the management agent/owner can take.
- Correction Deadlines—contractor must clearly identify the correction deadline. The correction deadline is typically 30 days, but cannot exceed 90 days. If no response is received by the correction deadline, the contractor will send a final letter to confirm that no response was received.
- Mailing address for responses to audit letter--contractor shall include the mailing address that correction documents must be sent to.
- Addressee of Audit letter—contractor shall address the Audit letter to the management agent for the development. The contractor shall send copies to the owner and the Authority's Office of Compliance Monitoring.
- Compliance (or Non-Compliance) with Program Requirements—the contractor should state in the Audit letter that, based on the files reviewed, the contractor believes that the development complies (or does not comply) with Program requirements.

4.9 Review of Management Agent/Owner Response and Follow-up Letter:

1. When the management agent/owner responds to noncompliance findings and forwards correction documents to the contractor, the contractor shall notify the management agent/owner in writing that the response is either acceptable or that outstanding issues still exist that must be resolved. If outstanding issues still exist, the contractor shall notify the management agent/owner of the corrective action that is required and/or recommended. The contractor shall forward an electronic copy of its response to the Authority's Office of Compliance Monitoring. If all items have been corrected, no additional follow-up is required. If outstanding items still exist, MSHDA will take appropriate action to resolve the issues.
2. If the management agent/owner does not respond within the required time period, the contractor will issue a non-response letter to the management agent/owner (with an electronic copy to MSHDA Compliance Monitoring). When the management agent/owner's response is received, the contractor will review the response as indicated in item #1 above. If no response is received after the required response period noted in the letter, the contractor must send another non-response letter to the management agent/owner indicating that no response was received and all outstanding issues have been referred to MSHDA for corrective action.
3. The contractor shall be available to the Authority to discuss responses from management agents/owners and/or provide copies of notes, correction documents, etc. pertaining to file audits.

4.10 Contractor Closeout Process

Upon completion of the file audit process, the contractor shall submit a closeout letter in the Authority-approved format to the management agent/owner (with an electronic copy to MSHDA Compliance Monitoring).

The contractor must also submit the File Audit Summary Report of Non-Compliance Findings and an electronic copy of the management agent's response cover letter to the Authority. Backup documentation will only be sent to the Authority upon request and must be maintained per Authority guidelines (see Section 4.11, Recordkeeping).

4.11 Additional File Audit Contractor Requirements:

1. Work with the Compliance Monitoring staff to insure consistency and uniformity in file audit and reporting procedures:

To ensure consistency and uniformity in file audits, all contractors must attend workshops provided by the Authority to discuss file audit processes, forms that must be included in the tenant files, forms required for monitoring tenant files, and file audit standards.

2. Attend Trainings on HUD Handbook 4350.3, Occupancy Requirements of Subsidized Multifamily Housing Programs and LIHTC Training:

- All contractors must attend trainings on HUD Handbook 4350.3, Occupancy Requirements of Subsidized Multifamily Housing Programs on an annual basis.
- Contractors performing audits on Low Income Housing Tax Credit developments must also attend at least one tax credit compliance seminar each year.
- The Authority is not responsible for any contractor training costs.

3. Meet with Authority Staff as Needed to Review Work Progress and Audit Results:

Periodic meetings will be scheduled with all contractors to ensure familiarity with state agency policies and to review work progress and audit results.

4. Obtain development specific data and enter audit information as specified by the Authority into MSHDA's on-line database via web access (See Section 7).

5. Invoices

The contractor will submit invoices for services rendered in a manner and format prescribed by the Authority.

6. Recordkeeping

The contractor will maintain records as deemed necessary by the Authority and make the records available to the Authority for three (3) years after the expiration of the contract or extension thereof.

PHYSICAL INSPECTIONS

5. ELIGIBILITY AND QUALIFICATIONS FOR PERFORMING PHYSICAL INSPECTIONS

5.1 Eligibility For Performing Physical Inspections:

All qualified applicants will be considered.

Individuals as well as corporate entities may submit proposals; however, individuals will be required to form a corporate entity prior to the execution of a contract with the Authority and have an office located in the State of Michigan.

5.2 Qualifications and Experience for Performing Physical Inspections:

Prospective contractors must provide certification of training in Uniform Physical Conditions Standards (UPCS) and possess a minimum of 2 years experience in performing physical inspections for compliance with federal and/or MSHDA standards.

Equivalent combinations of training and/or experience that provide the required knowledge, skills, and abilities will be evaluated and considered on an individual basis. Certification of UPCS training is required prior to contract execution.

Proposals will be evaluated on the basis of the contractor's ability to demonstrate a high degree of experience, training and proficiency in the various functions to be performed. The Authority will specifically consider the contractor's understanding, knowledge and experience in the following areas:

- Demonstrated knowledge, experience and proficiency in UPCS and/or MSHDA physical inspection standards; and
- Ability to identify and report life-threatening, health and safety and other physical inspection deficiencies in a timely, concise and accurate manner to the Authority and management agents/owners.

6. SCOPE OF WORK FOR PERFORMING PHYSICAL INSPECTIONS

6.1 General:

Physical inspections ("inspections") are required to determine if owners of housing developments funded under certain government programs are complying with federal and state regulations. These regulations include ensuring that the developments are suitable for occupancy.

At developments designated by the Authority, the contractor shall perform physical inspections, in accordance with Authority requirements.

6.2 Physical inspection Frequencies:

Physical inspections must be performed according to the following frequencies:

- Section 8, Section 236 and Authority-financed developments - every 12 months, or at the request of the Authority

- Low Income Housing Tax Credit developments (LIHTC) or (tax credit) - every 3 years, or at the request of the Authority
- HOME developments - frequency depends upon the number of units in the development (every 1, 2, or 3 years)
- Developments with multiple sources of funding default to the most restrictive program requirement.

6.3 Physical Inspection Standards:

When conducting physical inspections, the contractor shall follow and apply the following physical inspections standards:

- Section 8, Section 236, HOME and Authority-financed developments - "UPCS Plus" Standards (MSHDA Inspection)
- LIHTC only developments – "UPCS" Standards (Uniform Physical Condition Standards)
- Section 8 with LIHTC, Section 236 with LIHTC, HOME with LIHTC and all MSHDA-financed with LIHTC developments – "UPCS Plus" standards (MSHDA Inspection)

The physical inspection standard for Section 8, Section 236, HOME and Authority-financed developments is the "UPCS Plus". The basis for this standard is the Uniform Physical Condition Standard (UPCS) and also includes additional MSHDA requirements. UPCS is the standard used by HUD REAC PASS inspectors. Training and proficiency in this standard is required of all MSHDA physical inspection contractors.

The "UPCS Plus" manual is posted on the MSHDA Compliance Monitoring website at www.michigan.gov/mshda, (click on "Property Managers" "Compliance for Rental Housing", "Manuals", "UPCS Plus Physical inspection Manual"). MSHDA plans to provide training for selected contractors on the additional MSHDA requirements of "UPCS Plus", and this training is tentatively scheduled for December 2006.

The contractor shall use Authority-approved forms (i.e. Hazard Notice Form, etc.) and shall use the MHI software when conducting physical inspections and reporting physical inspection results.

6.4 Primary Responsibilities:

The contractor's primary responsibilities during the physical inspection are as follows:

1. Inspect the site, building exterior, building systems, common areas and units of each assigned development.
2. Report hazards and deficiencies to the Authority and to development owners/management agents.
3. Review Owner's Certifications and reports to ensure all deficiencies identified in the physical inspection reports are certified as corrected.
4. Notify the Authority and owners/management agents of any deficiencies that are not certified as corrected.

6.5 Requirement to Review Local Health, Safety or Building Code Violations:

When conducting physical inspections, contractors must review all local health, safety, or building code violation reports or notices issued to developments and inspect the areas to ensure that violations have been adequately resolved. This information must be included in the MHI physical inspection report.

6.6 CNA Reviews at Authority-Financed Developments:

Capital Needs Assessments ("CNA") have been conducted on certain Authority financed developments. For these developments, the contractor must review the CNA report and perform a CNA inspection per Authority guidelines.

6.7 Developments to be Inspected:

1. The Authority will give contractors a list of developments and due dates for performing physical inspections.
2. The contractor shall perform inspections for developments by applying the standards set forth herein and inspecting the following percentages of units for the programs described below:
 - **Low Income Housing Tax Credit Developments:** 20% of the restricted units in each building of the development. (The contractor shall not inspect market-rate units) *Note: At least one unit in every building must be inspected.*
 - **Authority Financed Developments:** 20% of the total units (including restricted and market-rate units)
 - **Section 8 and Section 236 Program Units:** 20% of the restricted units in the development, **not to exceed 25 units** (the contractor shall not inspect market rate units)
 - **HOME Developments:** 20% of the restricted units in the development
 - **Developments with Multiple Funding Sources:** The greater of:
 - (a) 20% of the low-income units in each building, or
 - (b) 20% of the total units in the development.

NOTE: For developments financed through the Section 8 and Section 236 Program, the contractor shall not inspect more than 25 units unless the development includes LIHTC units, which require that 20% of the low-income units per building be inspected.

Note for Section 8, Section 236, and HOME: The contractor shall inspect **restricted units only** and should **not** inspect any "market-rate units". (Section 236 residents that pay **market rent** are not considered "market-rate units".

Section 236 market renters are restricted units and therefore they must be included in the sample of files to be selected for inspections.)

3. The Authority reserves the right to require the contractor to inspect a higher percentage of units, if the Authority deems this necessary and appropriate based on the results of the previous inspection or for any other reason(s).

4. When calculating the number of units to inspect, partial numbers of units should be rounded up to the next whole number. For example, if 20% of the units is 10.1 units, 11 units should be inspected.
5. For Low Income Housing Tax Credit units, the physical inspection contractor will perform a physical inspection for 20% of the low-income units in each building and the same units will receive a tenant file audit no more than 30 days after the physical inspection is conducted.
6. The unit sample should include a broad representation of the resident profile of the development. For example the sample should include different unit types (1 bedroom, 2 bedroom, etc) and must meet the requirements of each funding source (LIHTC, HOME, Section 8, etc) at the development. A unit sample consisting of only new move-ins and/or vacant units is **not** acceptable (except for new developments during initial lease-up).
7. The Authority may designate specific units to inspect.
8. Forms and processes required by the Authority to provide services are subject to change following written notice by the Authority but shall not result in a material increase in the time necessary to complete the physical inspection.

PHYSICAL INSPECTION PROCESS

6.8 Scheduling Physical inspections:

1. The contractor will contact the management agent/owner by phone to schedule the inspection date and time.
2. The contractor will confirm the scheduled inspection by sending written notice (scheduling letter) of the scheduled inspection date and time to the development's management agent/owner as specified by the Authority at least twenty (20) business days (30 calendar days) prior to the scheduled inspection date.
 - a. The scheduling letter must include the date, anticipated arrival time, and the location of the physical inspection. It is recommended that the name of the management agent representative who scheduled the inspection also be included in the letter.
 - b. The contractor will address the scheduling letter to the management agent of the development. Copies will be sent to the owner and an electronic copy will be emailed to the Authority's Office of Compliance Monitoring.

6.9 Performing Physical inspections:

1. The contractor shall perform inspections within a timeframe specified by the Authority.
2. The contractor shall inspect any particular unit(s) requested by MSHDA Compliance Monitoring, Asset Management or the Physical Portfolio Manager.

3. The contractor shall use Authority approved forms to perform physical inspections and/or re-inspections.
4. The contractor must record the results of the physical inspections for each development electronically through the use of the Authority's Multifamily Housing Inspection (MHI) software. The contractor shall forward the results of physical inspections to the Authority as follows:
 - a. Upload the inspection report data to the Authority's database via MHI software
 - b. Send an electronic copy of the cover letter via email (and the inspection report, if the contractor produces scanned electronic copy of report)
 - c. Send a hard copy of the inspection cover letter and report by facsimile, First Class Mail, overnight mail, electronic mail or hand delivery when the contractor's invoice is submitted for payment.
5. The contractor must track management agent responses and generate correspondence as required by the Authority.
6. The contractor must record, submit and store all data and documentation obtained and reports generated during the physical inspection process in an electronic format specified by the Authority in Section 7 of this RFP.
7. The contractor shall be available to discuss methods and results of the physical inspections with MSHDA Compliance Monitoring, Asset Management and the Physical Portfolio Manager.
8. During and at the conclusion of the physical inspection, the contractor must verbally review and explain, in person, the physical inspection findings and results with the development's management agent representative or personnel, if such personnel are on-site and available at the physical inspection.
9. Physical inspection contractors should not discuss physical inspection findings or results directly with residents, or with the management agent representative while in the presence of the residents. However, if a resident requests that the contractor inspect a particular item(s) in the unit, the inspector should comply with the resident's request and should note any observed deficiencies.
10. If life-threatening and/or EH&S deficiencies are discovered during the inspection, the contractor must issue a **Hazard Notice** to the management agent at conclusion of the inspection.

6.10 Reviewing/Documenting Local Health, Safety or Building Code Violations:

1. When performing physical inspections of buildings and units, the contractor must ask the management agent/owner representative if any local health, safety, or building code violations reports or notices have been issued since MSHDA (or a physical inspection contractor of MSHDA) conducted the last physical inspection.

2. If violations have occurred, the contractor must review the reports or notices of violations and the corrective actions taken and must inspect the areas to determine whether the buildings and/or units are suitable for occupancy. This information must be documented in the physical inspection report.

6.11 Performing CNA Reviews at Authority-Financed Developments:

Capital Needs Assessments ("CNA") have been conducted on certain Authority-financed developments.

For these developments, the Authority will provide the contractor with the CNA reports. The contractor must review the development's CNA report prior to conducting the physical inspection and must inspect CNA items per Authority guidelines. The contractor shall provide feedback in the physical inspection report regarding all CNA matters.

The "CNA Review" (Capital Needs Assessment) consists of the following:

1. Prior to performing physical inspections at Authority-financed developments, the contractor shall review the Capital Needs Assessment ("CNA") report for the development, if a CNA is available for the particular development.
2. The CNA Review shall be performed once a year for each Authority-Financed development during the physical inspection to confirm the status of work or items recommended or cited in the CNA as requiring repair or replacement.
3. The contractor shall report the status of the work or items recommended in the CNA in the Physical Inspection Report.

6.12 Reports and Letters to Development's Management/Owner and Authority:

1. Physical Inspection Report and Letter. The contractor shall provide a physical inspection report and cover letter that documents the results of the physical inspection to the Authority and the development's management agent/owner within 20 business days (30 calendar days) after the date the physical inspection was performed. The report shall be completed and submitted in a format and manner that is specified by the Authority.
2. Hazard Notice. If life-threatening and/or EH&S deficiencies are discovered during the inspection, the contractor shall issue a Hazard Notice to the management agent/owner at conclusion of the inspection. The inspector and the representative of the management agent/owner must both sign the Hazard Notice form. The contractor must send an electronic copy of the notice to MSHDA Compliance Monitoring, Asset Management and the Physical Portfolio Manager within 24 hours of the conclusion of the inspection.

6.13 Performing Reinspections:

1. Reinspections shall be performed only at Authority-financed developments and **shall be performed only if requested in writing by the Authority**:
2. Reinspections at Authority-financed developments shall:
 - Be performed 6 months after the annual inspection or when requested by the Authority.
 - Include a review of all deficiencies noted during the last physical inspection to ensure the satisfactory completion of the work.
3. The Authority reserves the right to add additional inspection items or units under special conditions, if the Authority deems this necessary and appropriate based on the results of the previous inspection or for any other reason(s).

6.14 Reviewing Management Agent/Owner Response and Follow-up Letter:

1. The management agent/owner must respond to the deficiencies documented in the physical inspection report by forwarding an Owner Certification and report documenting the corrective actions taken (or to be taken) to the contractor and to MSHDA Compliance Monitoring. Upon receipt of the management agent/owner response, the contractor shall review the documents and notify the management agent/owner, in writing, if the response and corrective actions are acceptable. If outstanding issues still exist, the contractor shall notify the management agent/owner that corrective action is required. The contractor shall forward an electronic copy of its follow-up letter to the Authority's Office of Compliance Monitoring.

If all items have been certified as corrected, no additional follow-up is required. If outstanding items still exist, MSHDA will take appropriate action to resolve the issues.

2. If the management agent/owner does not respond within the required time period, the contractor will issue a non-response letter to the management agent/owner (with an electronic copy to MSHDA Compliance Monitoring). When the management agent/owner's response is received, the contractor will review the response as indicated in item #1 above. If no response is received after the required response period noted in the letter, the contractor will send another non-response letter to the management agent/owner indicating that no response was received and all outstanding issues have been referred to MSHDA for corrective action.
3. The contractor shall be available to the Authority to discuss responses from management agents/owners and/or to provide copies of notes, correction documents, etc. pertaining to physical inspections.

6.15 Contractor Closeout Process

Upon completion of the physical inspection process, the contractor shall submit a closeout letter in the Authority-approved format to the management agent/owner (with an electronic copy to MSHDA Compliance Monitoring).

6.16 Additional Physical Inspection Contractor Requirements:**1. Work with the Compliance Monitoring and/or other designated MSHDA staff to ensure consistency and uniformity in physical inspection and reporting procedures:**

To ensure consistency and uniformity in physical inspections, all contractors must attend workshops provided by the Authority to discuss inspection processes and forms. A mandatory training session for physical inspection contractors is tentatively scheduled for December 2006.

2. Attend Trainings on UPCS and MSHDA ("UPCS Plus") Requirements:

- All physical inspection contractors must attend UPCS training. The Authority is not responsible for any contractor training costs.
- The physical inspection standard for MSHDA financed developments is "UPCS Plus". The basis for this standard is the Uniform Physical Condition Standard (UPCS) and also includes additional MSHDA requirements. UPCS is the standard used by HUD REAC PASS inspectors. Training and proficiency in this standard is required of all MSHDA physical inspection contractors.
- MSHDA will provide training on the additional MSHDA requirements of "UPCS Plus" at the training tentatively scheduled for December 2006.

3. Meet with Authority Staff as Needed to Review Work Progress and Physical inspection Results:

Periodic meetings will be scheduled with all contractors to ensure familiarity with state agency policies and to review work progress and inspection results.

4. Obtain development specific data and enter physical inspection information as specified by the Authority into MSHDA's on-line database via web access (See Section 7).**5. Invoices**

The contractor will submit invoices for services rendered in a manner and format prescribed by the Authority.

6. Recordkeeping

The contractor will maintain records as deemed necessary by the Authority and make the records available to the Authority for three (3) years after the expiration of the Contract or extension thereof.

7. TECHNICAL SPECIFICATIONS

7.1 Authority's On-Line Database via the Web (Mitas) (File Audits & Physical Inspections)

In order to use MSHDA's on-line database, the contractor must have administrative access to their machines and a web browser that is I.E. capable at a 6.0 version or higher. Also, the contractor must have the ability to turn off pop-up blockers. Please note that all related expenses are the responsibility of the contractor.

The Authority will assign each contractor a web administrator account. The contractor must assign one individual as the administrator of the account. Only the administrator can create new accounts for each of the contractors "users" and will be required to maintain these accounts for the contractor. Each contractor will be required to establish at least one "user" account.

7.2 Authority Compatible Software (File Audits and Physical Inspections)

All documentation related to file audits and physical inspections that is stored electronically or submitted to the Authority must be in a format that is compatible to the Authority. Compatible software would be Adobe files or any Microsoft products such as Excel, Access, or Word.

7.3 Authority's Multifamily Housing Inspection (MHI) software (Physical Inspections Only)

The Authority will provide the physical inspection contractor with MHI software and instructions for installation. The MHI software will be provided to the contractor(s) at no charge.

The terms of the contract will require the contractor to acknowledge that the MHI software provided by the Authority to conduct the inspections is the property of the Authority. The contractor must also agree not to copy, loan, or sell the software provided by the Authority, or to make the software available to other persons or entities (other than employees of the contractor) or use the software for any purpose other than Authority inspections. The contractor may not alter or modify the software in any way.

In order to run the MHI program, the contractor(s) must have administrative access to their machines and an Internet provider with an e-mail account. The e-mail must be a Pop3, Outlook, or Outlook Express account. AOL Internet accounts are **not** compatible with the MHI software. Please note that all related expenses are the responsibility of the contractor.

8. GUIDANCE FOR SUBMITTING PROPOSALS

Proposals (original and copies) must be submitted in a binder with the information organized into sections as designated herein. Each proposal section must be tabbed, labeled and organized in the order specified in Section 8.1 of the RFP.

8.1 Proposal Contents:

The proposal must contain the following information:

1. Cover Page

The cover page must be on the prospective contractor's letterhead and include the following information:

- a. MSHDA Compliance Monitoring RFP Proposal
- b. Proposed Services
 - File Audits or
 - Physical Inspections or
 - File Audits and Physical Inspections
- c. Proposal Date

2. Introduction

The Introduction section must include the following information:

- a. Name of individual(s) or entity submitting the proposal
- b. Brief statement of the individual's or entity's credentials
- c. Proposed Services (see 1b above)

If the prospective contractor is proposing more than one option, this section must also include a brief description of each proposed option, For example, Option #1 - file audits and physical inspections for all counties, Option #2 file audits for all counties, Option #3 file audits for Detroit region, etc. Options must be listed in the order of preference with the most preferred option listed as Option #1.
- b. Geographic area(s)
 - State of Michigan (All Counties)
 - North/West Michigan Region
 - South/East Michigan Region
 - Detroit Region (Wayne County)
 - Contractor Defined Region (s)*

*The Authority will accept and consider "contractor defined" regional configurations that differ from the Authority's defined regions included in this RFP. Prospective contractors must provide a list of the proposed counties in the Introduction section the proposal and must also clearly designate this information in the "Notes and Comments" section of the Proposed Fee Schedule form. Prospective contractors must add total units for each county in the "contractor defined" region (see Developments and Units by County Report) and enter this total in the "Total Units" column in the Tenant File Audit and/or Physical Inspection section(s). The spreadsheet will automatically calculate the "Estimated Units to Audit per Year" and/or "Estimated Units to Inspect per year".

3. Qualifications and Experience

- A detailed description of the individual's and/or firm's qualifications and experience that demonstrate its capability to perform file audits and/or physical inspections.
- A reference list of other state or local agencies for which the firm has acted, or is currently acting, as a tenant file audit or physical inspector. The list of agencies shall include:
 1. The name of the agency
 2. Agency contact person name and title
 3. The address and telephone number
 4. The nature of services provided
 5. The beginning and ending contract or service dates for each agency
- A reference list of similar types of contracts successfully completed with a sample of the work. The list of contracts shall include:
 1. The name of the client firm
 2. The contact person name and title
 3. The address and telephone number
 4. A description of the services performed
 5. The beginning and ending contract dates

4. Organization Chart and Personnel Information

This section must include detailed information regarding the **individuals** that will be **directly involved in providing services under this RFP contract**, including any subcontractor firms.

- **Organization Chart** - must show the names, functions, positions and titles of all professionals in the organization as well as any subcontractors, if applicable.
- **Listing of Personnel** – must include names, titles and a brief description of each individual's particular role or function within the organization. The listing should clearly designate the name and title of the individual who will function as the Authority's designated contact person for the contract. The listing must contain the designated contact person's address, telephone, fax and email address. The contractor's main office information should also be provided, if different than the contact person.
- **Detailed Resumes** – must include resumes for all personnel that will be directly involved in providing the services under this contract, including any proposed subcontractors and their employees.

5. Project Management Plan

This section should include a description of the prospective contractor's overall approach to managing the project including organization, support resources, work plan and reporting.

6. Other Required Documentation

- Certificate of Good Standing, if applicable
- Certificate to do business in Michigan
- Certificates of Training and/or Professional Certifications

7. Potential Conflicts of Interest Disclosure

- No prospective contractor or any person who is an employee, agent, consultant or officer may have a financial interest or obtain a financial interest in any development to be inspected or audited under this RFP by the prospective contractor either for themselves or for those with whom they have family or business ties.
- Prospective contractors must disclose any conflict or potential conflict of interest to MSHDA. For good cause, MSHDA may, in its sole discretion, waive the conflict of interest.

8. Proposed Fee Schedules

- The Proposed Fee Schedules must be stated on a cost per unit basis and must include all expenses, including reporting and data entry into MSHDA's web-based system. The cost per unit will be based upon the files audited or units inspected in a development.
- The Proposed Fee Schedules must be submitted in the format provided in this RFP and should be completed for the following years: 2007, 2008, 2009, 2010 and 2011. The Proposed Fee Schedules will be the basis for the Evaluation Criteria #5 "Fees".
- If more than one option is proposed, additional Fee Schedules must be submitted for each option (for all years) and the Schedules must be labeled accordingly with the appropriate option #.
- The Proposed Fee Schedule form is located in the Attachments section of this RFP.

9. Proposal Certification

The Proposal Certification form is located in the Attachments section of this RFP.

8.2 Proposal Due Date:

Proposals must be received no later than **5:00 P.M. on October 2, 2006**. Late proposals will not be accepted.

8.3 Delivery of Proposals:

One (1) original and four (4) copies of the proposal shall be delivered to:

Michigan State Housing Development Authority
Attn: Corina Pena-Andorfer
Acting General Counsel/Director of Legal Affairs
Office of Legal Affairs
735 E. Michigan Avenue
P.O. Box 30044
Lansing, MI 48909

8.4 RFP Modifications and Additional Guidance:

The Authority may modify the RFP and/or provide additional guidance prior to the date for submitting the proposal by issuing an addendum to all parties who were sent notification of the RFP or were otherwise known to have obtained this RFP for bidding purposes. Any additional guidance information regarding this RFP will be posted on the Authority's website at www.michigan.gov/mshda.

8.5 Terms of Contract:

The term of this contract will be from January 1, 2007 through December 31, 2009. In its discretion, the Authority may extend the contract for (2) two additional one-year periods.

8.6 Rules and Requirements Governing the Competition:

Validity of Proposal – To construct a valid proposal, the prospective contractor must respond and conform to the RFP including all the documents, which are incorporated herein. A proposal that does not literally comply may be deemed “unresponsive” and thereby rejected.

Errors – If a prospective contractor discovers any ambiguity, conflict, discrepancy, omission, or other error in the RFP, they shall immediately notify the Michigan State Housing Development Authority of such error in writing and request modification or clarification of the document.

Submission of Proposal – Proposals shall be complete in all respects as required in this RFP. Proposals should be prepared to provide a straightforward, concise delineation of capabilities to satisfy the requirements of the RFP. Emphasis should be on completeness and clarity.

Proper Authority - No proposal will be considered unless the proposal is signed by the proper officer or official of the firm, institution or agency.

RFP Deadline – Proposals must be received by MSHDA on or before the date and time specified. Proposals received after the date and time specified will not be considered and will be returned unopened.

Prospective contractors are expected to examine all of the instructions, special provisions, forms and attachments included in and with this Request for Proposals.

Costs for Developing Proposals – Costs for developing proposals are entirely the responsibility of the prospective contractor and are not chargeable to the Authority.

Confidentiality – The contents of all proposals, correspondence, addenda, memoranda, working papers, or any other medium, which discloses any aspect of a prospective contractor's proposal, shall be held in the strictest of confidence until notice of intent to award the contract. Proposals will become public after the bid process is completed.

Michigan Freedom of Information Act:

Documents submitted to the Authority shall be subject to the Michigan Freedom of Information Act ("FOIA"). In the event a request for submitted documents is made to the Authority, the Authority's FOIA Coordinator will reject or withhold information and/or documents that are exempt from disclosure under FOIA. See *MCL 15.243*. Please note that any requests by non-MSHDA personnel to review proposals will be denied until the deadline for submission of the bids has expired. See *MCL 15.243(1)(i)*.

GROUND FOR REJECTION – A proposal may be rejected for reasons including, but not limited to, the following:

- It is not prepared as requested, or contains a material deviation from a requirement.
- It contains false or misleading statements or references, which do not support an attribute or condition contended by the prospective contractor. The proposals shall be rejected if, in the opinion of the Authority, such information was intended to erroneously mislead the Authority in its evaluation of the proposal and the attribute, condition, or capability of a requirement of this RFP.

9. PROPOSAL EVALUATION AND SELECTION

9.1 Proposal Review and Determination of Eligibility:

Authority staff will review all eligible proposals to determine if they meet the minimum qualifications specified in this RFP.

Proposals that meet the RFP requirements shall be submitted to the Authority evaluation committee established for that purpose and the committee will evaluate and score the proposals using the criteria specified below. In evaluating the proposals, technical merit will have greater weight than financial merit.

9.2 Evaluation Criteria:

1. Experience and General Capability – The prospective contractor will be evaluated on the capability and understanding of the requirements of the firm/individual and its personnel to perform file audits and/or physical inspections in accordance with federal and state regulations.

2. Experience and Qualifications of Key Personnel – MSHDA will assess the experience and qualifications of specific personnel who will provide the services, their professional and educational background, etc.
3. Project Management – The prospective contractor will be evaluated on its overall approach to contract management and satisfying the requirements of the RFP. The following items will be evaluated:
 - The prospective contractor's overall approach to managing the project including organization, support resources, work plan and reporting will be used as the basis for this portion of the evaluation.
 - Ability of the firm/individual to report in an accurate and timely manner, based upon MSHDA's reporting criteria.
4. Potential Conflicts of Interest Disclosure - The prospective contractor will be evaluated on potential conflicts of interest identified. The Authority will carefully review and consider the nature and extent of the potential conflicts disclosed.
5. Fees - The prospective contractor must propose fees in the required format. The Authority will review and consider the Proposed Fee Schedules and the services to be provided.

MSHDA reserves the right to reject any or all proposals, to waive any informality or technical defect in the proposal or to award the contract in whole or in part, if deemed to be in the best interests of the Authority to do so. MSHDA will award the contract to the firm, institution or agency determined by the Authority to have submitted the most responsive and responsible offer, based upon the criteria specified in this Request for Proposal. Selection of the contractor(s) may not necessarily be based solely on price but will include the consideration of other relevant factors. Contractor selection is subject to approval by Civil Service and the Authority's Board.

10. DEVELOPMENT INFORMATION

10.1 General:

MSHDA currently administers a portfolio of approximately 1,250 properties with over 89,000 rental units.

The portfolio includes a wide variety of building types such as high-rises, garden apartments and scattered site dwellings located throughout the State of Michigan. It is anticipated that MSHDA will average an annual increase in the size of the portfolio of approximately 50 properties per year. The number of developments and units by county is included as an Attachment to this RFP.

10.2 Development Information Updates:

MSHDA Compliance Monitoring will provide the contractor with a list of all properties to be audited and/or inspected each contract year and will update this information as often as necessary.

Compliance Monitoring will also provide development information including building addresses, management agent contacts and funding/program details.

10.3 Map and Report of Developments and Units by County:

A map and report of the developments and units by county are included in the Attachments section of this RFP.